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Held at Headquarters, New York, on Friday, 17 March 2000, at 10 a.m.

Chairman: Mr. Darwish (Vice-Chairman) ..... (Egypt)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of Ms. Wensley (Australia), Mr. Darwish (Egypt), Vice-Chairman, took the chair.

The meeting was called to order at 10.10 a.m.

Agenda item 118: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Outsourcing practices (A/53/818 and A/53/942)

1. **Mr. Niwa** (Assistant Secretary-General for Central Support Services) introduced the report of the Secretary-General on outsourcing practices (A/53/818). He said that the report set forth the basic policy and guidelines that the Organization intended to follow in order to incorporate and encourage outsourcing in the management decision-making process. The guidelines reflected the views expressed by the Joint Inspection Unit (JIU) and the Office of Internal Oversight Services (OIOS). He emphasized the need for regular and rigorous consideration of outsourcing by managers to become part of the Organization's culture, and reiterated the commitment to attaining that goal on the part of the Department of Management.

2. With regard to the categorization of activities and services as "core" or "non-core", despite the Secretariat's best efforts to take into account previous analyses by OIOS and JIU that categorization, as pointed out by the Advisory Committee, remained somewhat artificial. He also agreed with the Advisory Committee that the role of outsourcing facilitator should not result in additional bureaucratic layers; the function should be exercised by department managers within existing resources. Appropriate training would be required. The goals of economy, efficiency, transparency and equitable geographical distribution were important, but their potential for mutual conflict imposed the necessity of coherent planning by programme managers in implementing and overseeing outsourcing. The broad aim was to promote efficiency and cost-effectiveness. The range of potential service providers to be considered for outsourcing should be expanded beyond commercial contractors to include United Nations agencies where the services required would be provided economically and efficiently, for example, Secretariat printing facilities might be used by funds and programmes.

3. **Mr. Sulaiman** (Syrian Arab Republic) requested confirmation that the role of outsourcing facilitator would not entail any additional financial implications. He also noted the report's inclusion of interpretation among activities to be considered for outsourcing, and requested clarification of the criteria on the basis of which interpretation had been so designated.

4. **Mr. Ramos** (Portugal), speaking on behalf of the European Union, said that outsourcing should be uniformly considered as an option for the provision of services whenever it provided a comparative advantage over in-house services when measured against the four criteria mentioned in paragraph 4 of the Secretary-General's report (A/53/818). While acknowledging and concurring with the concern expressed in paragraph 43 of that report, to the effect that outsourcing should be approached incrementally, the European Union nevertheless invited the Secretary-General to continue to pursue outsourcing as an alternative to in-house services, applying the guidelines contained in the report. He requested information on the current status of efforts to appoint outsourcing facilitators, and joined the representative of the Syrian Arab Republic in asking whether or not such appointments would have budgetary implications.

5. **Mr. Jaremczuk** (Poland), **Mr. Demir** (Turkey) and **Ms. Rudzīte-Pinne** (Latvia) aligned themselves with the statement by the representative of Portugal.

6. **Mr. Yamagiwa** (Japan) said that his delegation shared the concern expressed by the Advisory Committee with regard to the utility, or even appropriateness, of the "core/non-core" concept in determining the suitability of particular activities for outsourcing. For example, his delegation harboured strong reservations regarding the inclusion of recruitment in the list of activities to be considered for outsourcing.

7. **Mr. Repasch** (United States of America) said that his delegation agreed that outsourcing provided alternative means for achieving cost savings and other important improvements in performing activities and services, that the pursuit of an outsourcing policy presented a number of potential problems, and that the Secretary-General's report had dealt with those issues in an appropriate way. He concurred with the Advisory Committee's caution against creating additional layers of decision-making in the Secretariat, and with the need for transparency in the budgetary process in order

to engender and sustain the support of Member States for outsourcing activities.

8. **Mr. Ekorong A Dong** (Cameroon), speaking on behalf of the Group of African States, said that if the concept of outsourcing were applied correctly, it had the potential to provide significant benefits. However, the Group was concerned to ensure that the bidding procedures associated with outsourcing should remain within the purview of the General Assembly and that transparency should be maintained at all stages of the outsourcing process.

9. **Mr. Niwa** (Assistant Secretary-General for Central Support Services), responding to the questions raised by delegations, said that interpretation, as a service activity, could be considered for outsourcing. Any decisions in that regard had to be made by programme managers. Many factors in addition to efficiency and cost-effectiveness had to be taken into account in deciding whether to contract out, including staff welfare and the international character of the Organization. No progress had been made so far in the appointment of a facilitator. The Secretariat did not intend to make the facilitator a full-time function; that role should be performed by the Department of Management without there being any additional layer of bureaucracy.

10. When the report had been prepared, the idea of core and non-core activities had seemed to make sense. However, that definition was now too programmatic to be very useful. The activities listed in paragraph 8 of the Secretary-General's report (A/53/818) should not be considered exhaustive. The Secretariat was concerned to preserve the international character of the Organization and if, for political or other reasons, outsourcing was clearly inappropriate, then it should not be contemplated.

11. In the area of recruitment, there were lessons to be learned from the policies of United Nations funds and programmes. Although recruitment was a Secretariat function, the funds and agencies used outside firms to identify good candidates, without prejudice to the final selection process. That was not to say that the Organization should relinquish its responsibility for any activity to an outside organization. Programme managers would continue to have responsibility and must oversee outsourcing.

12. Concerning cost-effectiveness, there were certain activities where outsourcing might be the best option, whereas other activities might affect, for example, job security or the international character of the Organization. Some balance between competing demands was therefore required. With respect to bidding, any decision concerning outsourcing would follow the established procurement process. The only notable exceptions were certain activities of the Department of Peacekeeping Operations.

13. **Mr. Sulaiman** (Syrian Arab Republic) said that the report contained a contradiction, since interpretation could not, by any standard, be regarded as a non-core activity. In fact much outsourcing did not meet the criteria established for contracting with a third party for non-core activities and services.

14. **Mr. Medina** (Morocco) asked what criteria had been used by the Secretariat to define the non-core activities listed in the report and what parameters were used by the Secretariat in deciding to outsource a particular service, since the quality of some of those services left much to be desired. He would appreciate information on the maximum length of contracts awarded to suppliers and how their duration was decided. More information on outsourcing for recruitment would also be appreciated. He wondered, in that regard, whether the Office of Human Resources Management did not have adequate resources to perform that task and whether some light could be shed on the criteria used in selecting the firms that would assist the Secretariat in determining the suitability of candidates.

15. His delegation supported the approach highlighted in paragraph 16 of the Secretary-General's report. In that regard he wondered what provision had been made by the United Nations to recover any losses as a result of poor management in respect of outsourcing services.

16. **Mr. Chandra** (India) agreed with the Advisory Committee's view in paragraph 5 of its report (A/53/942) that decisions on whether a function should be contracted out must be made on a case-by-case basis, and that the primary responsibility rested with the programme manager. His delegation hoped that procurement from developing countries would continue to be encouraged and welcomed the fact that the Procurement Division's Web site would now be updated daily.

17. **Mr. Niwa** (Assistant Secretary-General for Central Support Services) said that there were two

issues: outsourcing as a policy, and how to implement it, which involved procurement. Outsourcing was not a new phenomenon in the United Nations, having been used as far back as the 1950s; questions relating to performance under certain contracts had more to do with procurement than outsourcing as such. It had been difficult to define a policy on outsourcing for the Organization, as evidenced by the attempt to differentiate between core and non-core activities. In the final analysis, decisions on outsourcing had to be made on a case-by-case basis by programme managers. Any decision as to whether interpretation or recruitment services, for example, should be contracted out rested with the programme managers concerned — his office could not make such determinations. In his view, however, certain activities relating to procurement could be considered for outsourcing. The classification of certain activities as core and non-core would evolve over time, what was valid now might soon cease to be valid.

18. **Mr. Sulaiman** (Syrian Arab Republic) said that he wished to avoid any misunderstanding, particularly with regard to the issue of outsourcing interpretation services. Although it was true that some interpretation services might be temporary, the definition of non-core activities as contained in paragraph 8 of the report (A/53/818) was incorrect — it should be redrafted to provide a clearer definition.

The meeting rose at 11.10 a.m.